

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT

OF

ADAMS CENTRAL COMMUNITY SCHOOLS

ADAMS COUNTY, INDIANA

July 1, 2004 to June 30, 2006



**FILED**  
03/12/2007



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cathy Stucky	07-01-04 to 06-30-07
Superintendent of Schools	Michael Pettibone	07-01-04 to 06-30-07
President of the School Board	Steven Bailey Wes Kuntzman	07-01-04 to 06-30-05 07-01-05 to 06-30-07



**STATE OF INDIANA**  
**AN EQUAL OPPORTUNITY EMPLOYER**

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**TO: THE OFFICIALS OF ADAMS CENTRAL COMMUNITY SCHOOLS, ADAMS COUNTY, INDIANA**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Adams Central Community Schools (School Corporation), as of and for the years ended June 30, 2005 and 2006, which collectively comprise the School Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 22, 2007, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the School Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

The Schedule of Funding Progress, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 22, 2007



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF ADAMS CENTRAL COMMUNITY SCHOOLS, ADAMS COUNTY, INDIANA

We have audited the financial statements of Adams Central Community Schools (School Corporation), as of and for the years ended June 30, 2005 and 2006, and have issued our report thereon dated February 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 22, 2007

ADAMS CENTRAL COMMUNITY SCHOOLS  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,249,175
Restricted assets:	
Cash and investments	<u>679,602</u>
Total assets	<u>\$ 4,928,777</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 679,602
Unrestricted	<u>4,249,175</u>
Total net assets	<u>\$ 4,928,777</u>

The accompanying notes are an integral part of the financial statements.



ADAMS CENTRAL COMMUNITY SCHOOLS  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 4,754,735
Restricted assets:	
Cash and investments	<u>929,979</u>
Total assets	<u>\$ 5,684,714</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 929,979
Unrestricted	<u>4,754,735</u>
Total net assets	<u>\$ 5,684,714</u>

The accompanying notes are an integral part of the financial statements.

ADAMS CENTRAL COMMUNITY SCHOOLS  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 3,427,754	\$ -	\$ 66,795	\$ (3,360,959)
Support services	4,814,747	399,576	54,450	(4,360,721)
Community services	188,407	-	-	(188,407)
Nonprogrammed charges	456,572	-	-	(456,572)
Debt service	<u>3,243,352</u>	<u>-</u>	<u>-</u>	<u>(3,243,352)</u>
Total governmental activities	<u>\$ 12,130,832</u>	<u>\$ 399,576</u>	<u>\$ 121,245</u>	<u>(11,610,011)</u>
General receipts:				
Property taxes				5,447,269
Other local sources				584,243
State aid				4,091,126
Grants and contributions not restricted				538,410
Bonds and loans				2,675,000
Sale of property, adjustments, and refunds				72,605
Investment earnings				<u>400,393</u>
Total general receipts				<u>13,809,046</u>
Change in cash and investments				2,199,035
Net assets - beginning				<u>2,729,742</u>
Net assets - ending				<u>\$ 4,928,777</u>

The accompanying notes are an integral part of the financial statements.

ADAMS CENTRAL COMMUNITY SCHOOLS  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 3,630,602	\$ -	\$ 53,483	\$ (3,577,119)
Support services	4,977,468	392,220	68,764	(4,516,484)
Community services	200,991	-	-	(200,991)
Nonprogrammed charges	446,788	-	-	(446,788)
Debt service	<u>2,918,306</u>	<u>-</u>	<u>-</u>	<u>(2,918,306)</u>
Total governmental activities	<u>\$ 12,174,155</u>	<u>\$ 392,220</u>	<u>\$ 122,247</u>	<u>(11,659,688)</u>
General receipts:				
Property taxes				4,225,208
Other local sources				498,426
State aid				4,136,225
Grants and contributions not restricted				559,514
Bonds and loans				2,535,000
Sale of property, adjustments, and refunds				64,703
Investment earnings				<u>396,549</u>
Total general receipts				<u>12,415,625</u>
Change in cash and investments				755,937
Net assets - beginning				<u>4,928,777</u>
Net assets - ending				<u>\$ 5,684,714</u>

The accompanying notes are an integral part of the financial statements.

ADAMS CENTRAL COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 3,220,860	\$ 728,565	\$ 767,015	\$ 1,294,485	\$ 83,209	\$ 737,127	\$ 6,831,261
Intermediate sources	220	-	-	-	-	-	220
State sources	4,145,362	-	-	-	-	43,830	4,189,192
Federal sources	-	-	-	-	-	561,589	561,589
Bonds and loans	1,300,000	300,000	325,000	500,000	70,000	180,000	2,675,000
Sale of property, adjustments and refunds	56,415	77	-	13,567	4	2,542	72,605
Intergovernmental transfers	-	-	2,298	-	-	156,727	159,025
Total receipts	<u>8,722,857</u>	<u>1,028,642</u>	<u>1,094,313</u>	<u>1,808,052</u>	<u>153,213</u>	<u>1,681,815</u>	<u>14,488,892</u>
Disbursements:							
Current:							
Instruction	2,900,625	-	-	-	-	527,129	3,427,754
Support services	2,601,984	537,306	-	897,506	64,907	713,044	4,814,747
Community services	155,284	-	-	-	-	33,123	188,407
Nonprogrammed charges	591,084	502	579	909	36	22,487	615,597
Debt services	<u>1,320,000</u>	<u>250,000</u>	<u>972,143</u>	<u>500,000</u>	<u>50,000</u>	<u>151,209</u>	<u>3,243,352</u>
Total disbursements	<u>7,568,977</u>	<u>787,808</u>	<u>972,722</u>	<u>1,398,415</u>	<u>114,943</u>	<u>1,446,992</u>	<u>12,289,857</u>
Excess of total receipts over total disbursements	1,153,880	240,834	121,591	409,637	38,270	234,823	2,199,035
Cash and investments - beginning	<u>969,459</u>	<u>95,079</u>	<u>558,011</u>	<u>689,645</u>	<u>104,288</u>	<u>313,260</u>	<u>2,729,742</u>
Cash and investments - ending	<u>\$ 2,123,339</u>	<u>\$ 335,913</u>	<u>\$ 679,602</u>	<u>\$ 1,099,282</u>	<u>\$ 142,558</u>	<u>\$ 548,083</u>	<u>\$ 4,928,777</u>

The accompanying notes are an integral part of the financial statements.

ADAMS CENTRAL COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 2,577,809	\$ 527,269	\$ 660,014	\$ 1,002,560	\$ 115,598	\$ 628,933	\$ 5,512,183
Intermediate sources	220	-	-	-	-	-	220
State sources	4,177,161	-	-	-	-	43,158	4,220,319
Federal sources	-	-	-	-	-	597,667	597,667
Bonds and loans	1,300,000	300,000	325,000	500,000	70,000	40,000	2,535,000
Sale of property, adjustments and refunds	55,874	3,970	-	-	-	4,859	64,703
Intergovernmental transfers	-	26,663	-	-	-	242,613	269,276
Total receipts	<u>8,111,064</u>	<u>857,902</u>	<u>985,014</u>	<u>1,502,560</u>	<u>185,598</u>	<u>1,557,230</u>	<u>13,199,368</u>
Disbursements:							
Current:							
Instruction	2,979,968	-	-	-	-	650,634	3,630,602
Support services	2,777,367	522,650	-	837,368	224,781	615,302	4,977,468
Community services	161,692	-	-	-	-	39,299	200,991
Nonprogrammed charges	646,788	-	26,663	-	-	42,613	716,064
Debt services	1,300,000	300,000	707,974	500,000	70,000	40,332	2,918,306
Total disbursements	<u>7,865,815</u>	<u>822,650</u>	<u>734,637</u>	<u>1,337,368</u>	<u>294,781</u>	<u>1,388,180</u>	<u>12,443,431</u>
Excess (deficiency) of total receipts over (under) total disbursements	245,249	35,252	250,377	165,192	(109,183)	169,050	755,937
Cash and investments - beginning	<u>2,123,339</u>	<u>335,913</u>	<u>679,602</u>	<u>1,099,282</u>	<u>142,558</u>	<u>548,083</u>	<u>4,928,777</u>
Cash and investments - ending	<u>\$ 2,368,588</u>	<u>\$ 371,165</u>	<u>\$ 929,979</u>	<u>\$ 1,264,474</u>	<u>\$ 33,375</u>	<u>\$ 717,133</u>	<u>\$ 5,684,714</u>

The accompanying notes are an integral part of the financial statements.

ADAMS CENTRAL COMMUNITY SCHOOLS  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2006

	<u>Private-Purpose Trust Funds</u>
Additions:	
Local sources	<u>\$ 1,000</u>
Deductions	<u>-</u>
Excess of total additions over total deductions	1,000
Cash and investments - beginning	<u>-</u>
Cash and investments - ending	<u><u>\$ 1,000</u></u>

The accompanying notes are an integral part of the financial statements.

ADAMS CENTRAL COMMUNITY SCHOOLS  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2006

<u>Assets</u>	<u>Private-Purpose Trust Funds</u>
Cash and investments	\$ 1,000
	<u>1,000</u>
 <u>Net Assets</u>	
Held in trust for employee benefits and other purposes	\$ 1,000
	<u>1,000</u>

The accompanying notes are an integral part of the financial statements.

ADAMS CENTRAL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

These financial statements present the School Corporation (primary government). There are no significant component units which require inclusion.

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant with South Adams Schools, North Adams Community Schools, Northern Wells Community Schools, Bluffton-Harrison Metropolitan School District, and Southern Wells Community Schools in a joint venture to operate Adams-Wells Special Services Cooperative (Co-op) which was created to provide instruction for handicapped children. The Co-op's continued existence depends on continued funding by the participating school corporations. Complete financial statements for the Co-op can be obtained from the Co-op's administrative offices at 925 North Main Street, Bluffton, IN 46714.

The School Corporation is also a participant with South Adams Schools, North Adams Community Schools, Northern Wells Community Schools, Bluffton-Harrison Metropolitan School District, Southern Wells Community Schools, Huntington County Community School Corporation and Jay School Corporation in a joint venture to operate the Vocational Area 18 Cooperative (Co-op) which was created to provide occupational training to students. The Co-op's continued existence depends on continued funding by the participating school corporations. Complete financial statements for the Co-op can be obtained from the Co-op's administrative offices at One Tiger Trail, Bluffton, IN 46714.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. However, there are no business-type activities to report at this time.



ADAMS CENTRAL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the School Corporation has not established any enterprise funds.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund type:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the eligible students.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

ADAMS CENTRAL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any proprietary funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

3. Compensated Absences

a. General Leave

Employees earn general leave at rates from 7 days to 12 days per year based upon employment position. Unused general leave may be accumulated to a maximum of 183 days. Accumulated general leave is paid to employees upon retirement at half of the daily rate.

b. Vacation Leave

Nonteaching or administrative and noncertified School Corporation employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

ADAMS CENTRAL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the School Corporation's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Cash and Investments and the Statement of Cash Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are reported as reimbursements.

ADAMS CENTRAL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Cash and Investments and the Statement of Cash Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Cash and Investments and the Statement of Cash Activities.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the School Corporation submits to the governing board a proposed operating budget for the year commencing the following July 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the School Corporation receives approval of the Indiana Department of Local Government Finance.

The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At June 30, 2005 and 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as referenced in state statute:

Fund	June 30, 2005	June 30, 2006
Textbook Rental	\$ (8,594)	\$ (28,293)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements. These deficits are to be repaid from future receipts.

ADAMS CENTRAL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

Indiana Code 5-13-9 authorizes the School Corporation to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the School Corporation and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the School Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

ADAMS CENTRAL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The School Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The School Corporation does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
General Fund	Debt Service	\$ 2,298	\$ -
General Fund	Other governmental	132,214	200,000
Debt Service	Transportation Operating	-	26,663
Debt Service	Other governmental	579	-
Capital Projects	Other governmental	909	-
Transportation Operating	Other governmental	502	-
Transportation Bus Replacement	Other governmental	36	-
Other governmental	Other governmental	22,487	42,613
Totals		<u>\$ 159,025</u>	<u>\$ 269,276</u>

The School Corporation typically uses transfers for cash flow purposes as provided by various statutes.

ADAMS CENTRAL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. Risk Management

The School Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

During 1980, the School Corporation joined with other governmental entities to form the School Employees' Benefit Trust, a public entity risk pool currently operating as a common risk management and insurance program for fourteen member governmental entities. The purpose of the risk pool is to provide a medium for the funding and administration of group insurance plans for the benefit of the members' employees. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$150,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$150,000 limit.

B. Holding Corporations

The School Corporation has entered into capital leases with Adams Central School Building Corporation and Adams Central Elementary School Building Corporation (the lessors). The lessors were organized as not-for-profit corporations pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the School Corporation. Lease payments during the year ended June 30, 2006, totaled \$477,000.

C. Subsequent Events

In January 2007, the School Corporation contracted for reconstruction of the indoor swimming pool. The estimated costs for this project are \$1,361,000. The project is to be financed by issuing \$955,000 in bonds, with the remaining balance to be paid from the capital projects fund.

D. Pension Plans

1. Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the School

ADAMS CENTRAL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The School Corporation's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

	<u>PERF</u>
Annual required contribution	\$ 44,270
Interest on net pension obligation	(5,863)
Adjustment to annual required contribution	<u>6,681</u>
Annual pension cost	45,088
Contributions made	<u>71,055</u>
Decrease in net pension obligation	(25,967)
Net pension obligation, beginning of year	<u>(80,870)</u>
Net pension obligation, end of year	<u><u>\$ (106,837)</u></u>
Contribution rates:	
School Corporation	5.75%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value



ADAMS CENTRAL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 73,305	88%	\$ (70,311)
	06-30-04	55,567	119%	(80,870)
	06-30-05	45,088	128%	(106,837)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Teachers' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teachers' Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Teachers' Retirement Fund  
150 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 232-3860

ADAMS CENTRAL COMMUNITY SCHOOLS  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Costs

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

The School Corporation is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 7% of covered wages. The School Corporation's required contributions to the plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$99,265, \$85,189, and \$67,808, respectively. The School Corporation contributed 100% of the required contribution for each of the fiscal years.

ADAMS CENTRAL COMMUNITY SCHOOLS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,478,741	\$ 1,514,530	\$ (35,789)	98%	\$ 1,045,382	(3%)
07-01-04	1,494,037	1,450,603	43,434	103%	945,177	5%
07-01-05	1,549,936	1,580,265	(30,329)	98%	1,041,892	(3%)

ADAMS CENTRAL COMMUNITY SCHOOLS  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land, Easements & Right of Ways	\$ 81,669
Land Improvements	759,676
Construction	13,906,923
Machinery & Equipment	538,732
Licensed Vehicles	<u>1,275,739</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 16,562,739</u>

ADAMS CENTRAL COMMUNITY SCHOOLS  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
June 30, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
School Building	\$ 57,081	\$ 57,081
Lease-Rental 2003	5,930,000	115,000
Heating and Cooling	517,302	55,592
Notes and loans payable:		
Common School Fund	156,120	81,182
Department of Commerce	77,778	11,111
Decatur Bank and Trust	<u>185,921</u>	<u>19,609</u>
Total governmental activities long-term debt	<u>\$ 6,924,202</u>	<u>\$ 339,575</u>

ADAMS CENTRAL COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

TRANSFER TUITION

Cash transfer tuition was charged at a flat rate determined by the School Board, and was not calculated based upon actual costs of attendance.

Indiana Code 20-26-11-6 states in part: "A transfer may not be accepted unless the requesting parents or student pays transfer tuition in an amount determined under the formula established in section 13 of this chapter . . ."

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form Number 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2005 and 2006.

The enrollment count dates for 2004-2005 and 2005-2006 were September 17, 2004, and September 16, 2005, respectively. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form Number 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2004-2005	Kindergarten	38	38	-
2004-2005	1 Through 12	1,075	1,071	4
2005-2006	Kindergarten	33.5	35.5	-
2005-2006	1 Through 12	1,077.94	1,078.94	(1)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OVERDRAWN CASH BALANCES

The cash balance of the Textbook Rental Fund was overdrawn in fiscal years 2005 and 2006.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF ADAMS CENTRAL COMMUNITY SCHOOLS, ADAMS COUNTY, INDIANA

Compliance

We have audited the compliance of Adams Central Community Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended June 30, 2005 and 2006. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied in all material respects with the requirements referred to above that are applicable to its major federal program for the years ended June 30, 2005 and 2006.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the School Corporation's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 22, 2007

ADAMS CENTRAL COMMUNITY SCHOOLS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended June 30, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-05	Total Federal Awards Expended 06-30-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education Child Nutrition Cluster National School Lunch Program	10.555	FY 2004-05 FY 2005-06	\$ 75,858 -	\$ - 89,949
Total for federal grantor agency			75,858	89,949
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Title I Grants to Local Educational Agencies	84.010	04-0015 05-0015 06-0015	32,964 357,463 -	- 78,931 360,856
Total for program			390,427	439,787
Pass-Through North Adams Community Schools Vocational Education - Basic Grants to States	84.048	05-4700-0025	17,965	-
Pass-Through Bluffton-Harrison Metropolitan School District Vocational Education - Basic Grants to States	84.048	06-4700-8445	-	15,188
Total for program			17,965	15,188
Pass-Through Indiana Department of Education Safe and Drug Free Schools and Communities - State Grants	84.186	02-139 03-027 04-088 05-053	1,052 1,599 5,262 -	- 3,536 3,459 1,765
Total for program			7,913	8,760
State Grants for Innovative Programs	84.298	02-125 03-125 04-137 05-122	106 5,933 417 -	- - 4,088 32,954
Total for program			6,456	37,042
Education Technology State Grants	84.318	S318X020014 S318X040014 S318X050014	624 6,032 -	- - 110
Total for program			6,656	110
Improving Teacher Quality State Grants	84.367	03-084 04-081 05-064	25,997 22,641 -	- 47,015 27,524
Total for program			48,638	74,539
Total for federal grantor agency			478,055	575,426
Total federal awards expended			\$ 553,913	\$ 665,375

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

ADAMS CENTRAL COMMUNITY SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Adams Central Community Schools (School Corporation) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

II. Noncash Assistance

The School Corporation expended the following amount of noncash assistance for the years ending June 30, 2005 and 2006. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	For the Year Ended June 30, 2005	For the Year Ended June 30, 2006
Child Nutrition Cluster			
Food Commodities			
National School Lunch Program	10.555	\$ 25,174	\$ 31,018

ADAMS CENTRAL COMMUNITY SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
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Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
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Identification of Major Program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

ADAMS CENTRAL COMMUNITY SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

ADAMS CENTRAL COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on February 22, 2007, with Michael Pettibone, Superintendent of Schools; and Cathy Stucky, Treasurer. The officials concurred with our audit findings.